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SUBJECT: CHINA'S POLITICAL INVESTMENT IN EC PAYS DIVIDENDS

Classified By: Classified By: Deputy Chief of Mission Brent D. Hardt, f  
or reasons 1.4 (b) and (d).

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Summary  
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¶1. (C) PM David Thompson's May 7-9 visit to Beijing highlights China's increasing engagement in the Eastern Caribbean to improve economic and business ties and increase aid. The visit, which generated new economic and business ties and increased aid, was seen as successful by commentators, who focused primarily on the optics of the visit and choose to overlook political or human rights issues. The MFA used the occasion reiterate its position in support of the One-China Policy. China is clearly investing heavily in the region )- or at least in its political elite )- and so far, the investment seems to be paying off. End summary.

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Visit Generates New Aid and Embassy  
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¶2. (C) Prime Minister Thompson's May 7-9 visit to China was well received by the media, with days of headlines on his meetings and visits, including his audience with Chinese Premier Wen Jiabao and his visit to the Great Wall of China. Newspaper headlines highlighted the strengthened ties between the burgeoning Asian power and Barbados. For his part, PM Thompson was able to secure promises of roughly 4 million dollars in new aid projects and soft loans over the existing monies already pledged by China. The media focused exclusively on increasing economic and cultural ties, instead of more uncomfortable issues like human rights or Tibet. One prominent editorial writer who accompanied the PM on his trip wrote an article explaining that after his visit to China, he felt the country should be considered a democracy, like any other democracy, just with a different system. Another commentator, who had visited China, said he saw no evidence of human rights problems worse than that in the U.S. or Canada.

3 (C) During a meeting with Premier Wen Jiabao, Thompson announced that former Barbadian Prime Minister Sir Lloyd Erskine Sandiford will be the country's first resident ambassador in China. The PM commented that Barbados, as a small island nation, will continue to follow through on its development strategy with the help of like-minded allies such as China. MFA contacts explained to us later that the logistics of the new embassy are still being worked out, however, the ministry hopes to see the new ambassador take up his post by early 2009 at the latest. FM Sinckler, who accompanied the PM, told us privately during the signing of the condolence book for China's earthquake victims that the GOB was reviewing plans initiated by the previous government to open a trade and investment office in Hong Kong, noting

they might simply install an agent there for cost reasons.

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#### One China Policy

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14. (C) The PM's visit so soon after his successful election bid was necessary in order to squelch the rumors from the election campaign that, if elected, the DLP would switch recognition to Taiwan, regional political commentator and pollster Peter Wickham told us, echoing a sentiment we have heard from several contacts. The major take away for the Chinese side was Barbados, concurrence that CARICOM should adhere to the One-China Policy, Wickham added. &The Barbadian government believes that CARICOM should have one policy with regard to China and Taiwan and we will urge our all our CARICOM partners to recognize the People's Republic of China,8 MFA Senior Foreign Service Officer Simone Rudder explained.

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#### Investment or Tax Shelter?

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15. (C) Chinese investment opportunities in Barbados are more likely to center on the establishment of holding companies, rather than direct investments, Barbados Employers Confederation Executive Director Harry Husbands told us in a recent meeting following the PM's trip. This strategy has been successful in attracting billions of dollars in investment from Canada and the US. FM Sinckler told us separately that, since the strength of the Barbadian economy is in the service sector and as a regional hub for large firms seeking to do business in North and South America, a key target area for Chinese investment is corporate headquarters for holding companies controlling large Chinese companies listed on foreign exchanges, which are registered in Barbados for tax and foreign investment purposes. (Note: Many of the large Chinese technology companies listed on U.S. stock exchanges such as the NASDAQ are headquartered in the Cayman Islands.)

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#### Confucian Institute Coming Soon?

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16. (C) The Chinese government has agreed to fund a youth technical education center in one of the more rural districts of Barbados. Discussions are currently ongoing concerning the staffing of the facility, which may include Chinese instructors. China has recently agreed to open a Confucian Institute in Barbados, which would cover the entire Eastern Caribbean region, Chinese Embassy Charge D'affairs Li Qian explained. (Note: Confucian Institutes are Chinese government-funded centers seeking to increase Mandarin language and Chinese culture studies around the world.) Both sides are hoping to significantly increase cultural and educational exchanges. Increased educational exchanges and training opportunities for Barbadian students are a high priority of the new government, the MFA's Rudder explained. China has offered to help in this regard and is seen as a strong potential partner for the future.

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#### Chinese Money, Caribbean Elections

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17. (C) Concerns over recognition and the tightly contested elections in the Eastern Caribbean in recent years have led the Chinese government to provide direct election funding to major candidates in regional elections, Wickham told us. In the last election the Chinese gave money to both of the major parties in Barbados, in order to assure continued recognition, he added. Embassy contacts on other islands have made similar assertions in the past, however, Wickham maintains that the trend is worsening and Chinese money along with other sources of outside money could become a more serious threat to democracy in the region.

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COMMENT  
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The PM's trip is just the latest example of China's increased engagement in the Caribbean and in Barbados in particular. Earlier this year, China donated a store of non-lethal military equipment to the BDF, including generators, field medical equipment, and riot gear. China has embassies in Barbados, Dominica, and Antigua, and has two O-6 rank military officers permanently assigned to both Antigua and Barbados )- ostensibly to teach music and self-defense. The Chinese navy will conduct a multi-ship goodwill tour that will include multiple stops in the Caribbean, though not in the Eastern Caribbean. On the rhetorical side, Thompson's visit (and, many say, elections in Taiwan) have led for many calls in the region for a consistent CARICOM One China policy ) currently, St. Kitts, St. Lucia, and St. Vincent all recognize Taiwan. While persistence and a liberal application of Yuan seem to be paying off, it is also true that a unified regional policy -- as called for at this month's Caribbean foreign ministers meeting in Antigua -- would lead to diminished competition and thus less lavish aid to the countries of the Eastern Caribbean.

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